

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
USIA-06 SSM-03 COME-00 DOTE-00 EB-08 FMC-01 CG-00
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FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 1468
INFO AMEMBASSY AMMAN
AMEMBASSY BONN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMCONSUL JERUSALEM
USMISSION SINAI
USCINCEUR

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 2554

E. O. 11652: GDS
TAGS: ELAB PINS IS
SUBJ: HISTADRUT AND GOVERNMENT BRACE FOR LABOR CRISIS

1. SUMMARY: EXCEPT FOR THE SHIPPING STRIKE, THE ISRAELI
LABOR SCENE IS MOMENTARILY QUIET AND LABOR ISSUES HAVE
BEEN PUSHED OFF THE FRONT PAGES. HOWEVER, AN INCREASING
NUMBER OF UNION AND WORKS COUNCIL LEADERS ARE DEMANDING
WAGE INCREASES FAR IN EXCESS OF THE TEN TO FIFTEEN
PERCENT GUIDELINES WHICH THE HISTADRUT HAS ESTABLISHED.
THE GOVERNMENT AND THE HISTADRUT NEED EACH OTHER TO
WORK OUT SOME ACCEPTABLE SETTLEMENT BUT THIS MAY NOT
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PROVE EASY. BEFORE THE CURRENT ROUNDS OF WAGE AGREEMENTS
ARE SETTLED, A SERIOUS TEST OF STRENGTH INVOLVING THE
WORKERS, THE HISTADRUT AND THE GOVERNMENT MAY OCCUR.
SUCH A CONTEST WOULD AGGRAVATE THE STRAINS ALREADY
EXISTING WITHIN THE GOVERNMENT COALITION, AND PARTICULARLY
WITHIN THE LIKUD. END SUMMARY

2. AT THE MOMENT THE ONLY MAJOR ONGOING STRIKE IS THAT OF THE MERCHANT SEAMEN, WHICH IS NOW ENTERING ITS SIXTH WEEK AND SHOWS LITTLE PROSPECT OF AN EARLY SETTLEMENT, NOTWITHSTANDING THREATS OF DRASTIC MEASURES AGAINST THE SEAMEN BY THE MINISTER OF TRANSPORTATION AND COMMUNICATIONS, MEIR AMIT. BUT, THE GOVERNMENT AND THE HISTADRUT FACE A SERIES OF STRIKE THREATS IN THE WEEKS AHEAD INVOLVING BUS DRIVERS (SOME OF WHOM BEGAN TO STRIKE FEB 24), RAILWAY WORKERS, POSTAL WORKERS, CLARICAL AND NON-PROFESSIONAL CIVIL SERVANTS, VARIOUS PROFESSIONAL GROUPS, AND METAL WORKERS. THE UNIONS OF THESE GROUPS ARE DEMANDING MAJOR WAGE INCREASES PLUS FRINGE BENEFITS IN THE 40-50 PERCENT RANGE IN ADDITION TO A COST OF LIVING ADJUSTMENT. THE HISTADRUT'S OWN DEMAND FOR A TEN TO FIFTEEN PERCENT INCREASE IS BASED ON THE ASSUMPTION THAT THIS WOULD JUST ABOUT SUSTAIN THE REAL INCOME OF MOST WAGE EARNERS. THE LATEST ROUNDS OF FUEL AND ELECTRICITY PRICE INCREASES AS WELL AS SCHEDULED INCREASES OF SECONDARY SCHOOL FEES AND LOCAL TAX RATES WILL ADD FUEL TO THE WORKER'S DEMANDS NOTWITHSTANDING AN ANNOUNCEMENT OF A DOWNWARD ADJUSTMENT OF TAX RATES FOR INCOMES BELOW IL 17,000 (\$1,062) PER MONTH.

3. THE CONTINUING HIGH RATE OF INFLATION HAS CREATED AN ATMOSPHERE OF UNCERTAINTY AND ANXIETY IN WHICH IT
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IS DIFFICULT TO CONDUCT WAGE NEGOTIATIONS. MANAGEMENT IN THE PRIVATE SECTOR, WHICH NORMALLY WOULD SETTLE BEFORE THE PUBLIC SECTOR, IS NOW AFRIAD TO DO SO BECAUSE IT CANNOT OFFER LESS THAN WHAT THE PUBLIC SECTOR MAY EVENTUALLY PAY. SIMILARLY, THE PUBLIC SECTOR WANTS TO TAKE THE PRIVATE SECTOR OFFER AS A BENCHMARK FOR ITS OWN OFFER. WITH INDUSTRY FEELING THE COST SQUEEZE OF INFLATION AND A NOTABLE DROP IN CONSUMER DEMAND, MANAGEMENT IS WORRIED ABOUT SUBSTANTIAL WAGE INCREASES. THUS THE OPENING ROUND OF SERIOUS WAGE NEGOTIATIONS IS HUNG UP OVER THE ARGUMENT OF WHO SHOULD NEGOTIATE FIRST.

4. IN THIS SITUATION THE GOI AND THE HISTADRUT NEED EACH OTHER IN ORDER TO NEGOTIATE A GENERAL FRAMEWORK FOR WAGE AGREEMENTS IN BOTH THE PUBLIC AND PRIVATE SECTORS AND TO REINFORCE EACH OTHER'S AUTHORITY IN MAKING AN EVENTUAL AGREEMENT STICK. HOWEVER, THE GOVERNMENT IS NOT SURE HOW MUCH AUTHORITY THE HISTADRUT REALLY HAS AND THE HISTADRUT FEELS THAT NOW THAT IT IS ALIGNED WITH THE OPPOSITION IT NEED NOT CARRY THE FULL BURDEN OF IMPOSING WAGE RESTRAINTS FOR A

LIKUD GOVERNMENT. AT THE SAME TIME HISTADRUT DOES
FEAR THE POSSIBILITY OF LOSING ITS CENTRAL AUTHORITY.

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C O N F I D E N T I A L SECTION 2 OF 2 TEL AVIV 2554

TM HISTADRUT WILL BE IN A SERIOUS DILEMMA REGARDING
WHETHER TO APPROVE STRIKES, WHICH WOULD BE FOR THE
MOST PART ILLEGAL WITHOUT SUCH ENDORSEMENT. IF
THE THE UNIONS AND WORKS COUNCILS DEFY THE HISTADRUT WITH
UNSANCTIONED STRIKES, ONE RESULT WILL BE TO ENCOURAGE
A TREND TOWARD GREATER INDEPENDENT TRADE UNION AUTONOMY
AND DECREASED HISTADRUT AUTHORITY. MANY UNIONS NO LONGER
DEPEND FOR THEIR INCOMES PRINCIPALLY ON THE HISTADRUT,
BUT CAN USE INCOMES FROM SUBSTANTIAL SCHOLARSHIP,
TRAVEL AND VACATION FUNDS IN A RATHER UNCRONTROLLED FASHION.
IN THIS SITUATION WITH A
LACK OF CENTRAL HISTADRUT AUTHORITY, ONLY THE THREAT
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OF A PROLONGED SHOWDOWN AND THE USE OF EMERGENCY BACK-TO-WORK ORDERS APPLIED TO VITAL SERVICES COULD AVOID MASSIVE WORK STOPPAGES.

6. HISTADRUT IS NOW UNDERGOING GRADUAL BUT IMPORTANT STRUCTURAL CHANGES WHICH COMPLICATE THE ROLE OF ITS TRADE UNION DEPARTMENT IN CONDUCTING CENTRALIZED NEGOTIATIONS. IN ANY CASE, WHATEVER THE HISTADRUT IS ABLE TO NEGOTIATE WILL HAVE TO BE ACQUIESCED IN OR CONFIRMED BY THE DIFFERENT UNIONS AND THE WORKS COUNCILS, HOWEVER, SOME WORKS COUNCIL LEADERS ARE ASSUMING RATHER TOUGH POSITIONS AND ARE TRYING TO GET THE HISTADRUT TO BACK UP THEIR PARTICULAR DEMANDS, EVEN IF THEY EXCEED THE HISTADRUT GUIDELINES.

7. THE GOVERNMENT IS NOW PREPARING TO FACE THESE ANTICIPATED CONTESTS OF STRENGTH WITH THE UNIONS. CIVIL SERVICE COMMISSIONER DR AVRAM FRIEDMAN TOLD EMBOFF THAT HE ENVISAGES THE POSSIBILITY OF PROLONGED STRIKES IN THE PUBLIC SERVICE SECTOR AND A TWO OR THREE MONTH DELAY BEFORE WAGE AGREEMENTS DUE IN APRIL FOR BOTH THE PRIVATE AND PUBLIC SECTORS ACTUALLY WILL BE SIGNED. FRIEDMAN SAID THAT FINANCE MINISTER EHRLICH HAD ASSURED HIM OF FULL SUPPORT IN TOUGHING IT OUT. HOWEVER, THE COMMISSIONER ADMITTED THAT A NUMBER OF SALARY INCREASES HAVE ALREADY BEEN PROMISED WHICH WILL MAKE IT DIFFICULT TO OPPOSE THE DEMANDS OF THE VARIOUS GROUPS. THOSE PROMISES INCLUDE A GOI COMMITMENT TO A 70 PERCENT SALARY INCREASE FOR THE TOP CIVIL SERVANTS, DIRECTOR GENERAL, DIRECTORS OF INDEPENDENT AGENCIES, KNESSET MEMBERS AND JUDGES; THE IMPENDING REMOVAL OF TREASURY TAX ACCOUNTANTS AND TELECOMMUNICATIONS EMPLOYEES FROM THE CIVIL SERVICE

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SALARY SYSTEM; A RECENT 40 PERCENT SALARY INCREASE TO CIVIL AVIATION EMPLOYEES AFTER THEIR TRANSFER OUT OF THE CIVIL SERVICE SYSTEM; AND OTHER RECENT SALARY ADJUSTMENTS TO CERTAIN PROFESSIONAL GROUPS.

8. COMMISSIONER FRIEDMAN EXPRESSED THE HOPE THAT THE GOVERNMENT AND THE HISTADRUT COULD CONVINCE THE UNIONS AND WORKS COUNCILS TO ACCEPT ARBITRATION IN CASE OF DEADLOCK, BUT HE WAS NOT SURE THAT THIS WOULD WORK. NOR DID HE HAVE MUCH FAITH IN COMPULSORY ARBITRATION, WHICH SOME OF THE HERUT LEADERS WANT TO PUSH THROUGH THE

KNESSET BFGBRE THE ANTICIPATED LABOR TROUBLES START.

9. ISRAEL KEISSAR, THE NEW CHAIRMAN OF THE TRADE UNION DEPARTMENT, CONFIRMED IN A SEPARATE CONVERSATION THE SERIOUSNESS OF THE THREAT OF INDUSTRIAL UNREST AND STRIKES, AND THE QUESTION HOW AND WHETHER THE HISTADRUT COULD MAINTAIN CONTROL OVER ITS AFFILIATES. HE IS NOT SO SURE THAT THE GOVERNMENT WOULD PERSIST IN ITS TOUGH POSITION AND CLAIMS THAT THIS MAY BE PUT TO THE TEST. HE TOO SEES HARD TIMES AHEAD AND IS NOT QUITE SURE HOW EITHER THE HISTADRUT OR THE GOVERNMENT WILL BE ABLE TO HANDLE THE SITUATION.

10. COMMENT: ALL SIDES SEEM TO BE STALLED NOW. THE CONCLUSION OF A WAGE AGREEMENT WILL PROBABLY NOT BE POSSIBLE BEFORE MID-YEAR AND THE ENTIRE PROCESS WILL SERIOUSLY TEST THE GOVERNMENT AND THE PRESENT COALITION. UNLESS THE GOI IS FULLY PREPARED FOR A CONTEST OF STRENGTH, THE RESULTANT LABOR AND SOCIAL CONFLICTS COULD SERIOUSLY UNDERMINE ITS STATUS AND CREDIBILITY. LEWIS

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